

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF PACIFICORP FOR APPROVAL OF)	CASE NO. PAC-E-02-7
IDAHO COMPACT FLUORESCENT LIGHT)	
BULB PROGRAM (TARIFF SCHEDULE 20))	
AND FOR APPROVAL OF DEFERRED)	ORDER NO. 29167
ACCOUNTING TREATMENT)	

Application

On October 18, 2002, PacifiCorp dba Utah Power & Light Company (PacifiCorp; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting approval of a proposed new tariff Schedule 20, Residential Energy Efficiency Program—Compact Fluorescent Light (CFL) Bulb Program.

The proposed CFL program would provide two CFLs, at no direct cost, to PacifiCorp's 44,000 Idaho residential customers. The bulbs would be mailed directly to customers in packages that include the bulbs, information on the benefits of CFLs and advice on the most energy efficient use of the bulbs. All bulbs carry a two-year warranty through Energy Technology Laboratories (ETL), are Energy Star certified and carry the Energy Star label. Energy Star is a certification process sponsored by the US Department of Energy. Products meeting Energy Star requirements are built beyond energy efficiency codes and standards.

PacifiCorp contends that customers will benefit from the proposed program by experiencing the positive qualities of CFLs, including reduced energy usage and extended bulb lives. PacifiCorp is hopeful that the program will trigger customer interest in energy efficient products and appliances.

PacifiCorp contends that its proposed CFL program is consistent with its Integrated Resource Plan as reflected in the Company's RAMPP 6 report and is one of several measures planned to help the Company achieve its demand side management (DSM) target for fiscal year 2003. The Company maintains that similar CFL programs have been successfully offered to residential customers in Oregon, Utah and Washington. Program savings in those states have out-performed initial estimates.

PacifiCorp estimates that the proposed CFL program will save 5,720,000 kilowatt hours annually—50% of which will occur during peak load periods. PacifiCorp intends to complete distribution of the bulbs by January 1, 2003. PacifiCorp estimates that the program will cost \$456,000 including the costs of the CFLs, shipping and handling, and customer education. PacifiCorp proposes to defer the costs of this program until a future rate proceeding.

Deferred accounting treatment is requested including accrued carrying charges at a rate equal to the weighted average cost of capital recommended by Commission Staff in its most recent audit of PacifiCorp's results of operations. This accounting treatment, the Company contends, is an appropriate, just and reasonable means of providing the Company an opportunity to seek recovery of its DSM program costs. PacifiCorp is not requesting a determination of ratemaking treatment of the program costs and related carrying charges at this time. Such a determination, it states, will be made in a future rate proceeding.

In accordance with *Idaho Code* § 61-307, the Company contends that copies of its Application are available for public inspection at the Company's offices in Rexburg, Preston, Shelley and Montpelier, Idaho. PacifiCorp requested that its Application be processed under Modified Procedure and requested that the tariff be approved for effective date of November 19, 2002.

On November 12, 2002, the Commission issued a Notice of Application in Case No. PAC-E-02-7, suspended the proposed effective date (Order No. 29151) and established a comment deadline of November 29, 2002. Comments were received from Commission Staff and a number of the Company's customers.

Customer Comments

Most customers filing comments oppose the Company's CFL Program and recommend denial. Customers contend that CFL bulbs have been on the market for some time and can be obtained at retail at a significantly lower cost than the Company's proposed program cost of \$5.18 each. They object to the involuntary nature of the program, the limited offering of energy savings equipment and the apparent amount of program cost in the overheads and management of the "give-away." Customers are happy purchasing their own light bulbs and would like to keep it that way. It was suggested that it would be adequate for the Company to put a notice in the utility bill that CFLs are an energy saving device and that people should use them.

Staff Comments

Commission Staff recommends that the Company be allowed to establish its proposed tariff Schedule 20 CFL Program. The Company proposes to spend approximately \$456,000 to distribute 44,000 CFLs in a single year. Absent an accounting order allowing deferral of program costs, Staff notes that PacifiCorp would be required to expense those costs in the year incurred with limited opportunity for program review or cost recovery. Staff believes that DSM programs such as these can be a cost effective way to meet customer demand and should not be discouraged by eliminating the opportunity for cost recovery. Staff recommends that the Company's request for authorized deferral of program expense be approved. Staff recommends that amortization of program expense begin when distribution of the light bulbs is completed. Staff recommends a five-year amortization. The bulbs are guaranteed for two years and, with a 10,000-hour rated life, are expected to last up to seven years.

Staff notes that the Commission in Avista's last general electric rate case, Order No. 28097 in Case No. WWP-E-98-11, stated "as indicated in prior Orders, it is the Company's obligation in a rate case to demonstrate the prudence of its conservation investment and our responsibility to ratepayers to determine that the Company has satisfied its obligation." Consistent with this language, Staff recommends that a prudence review of the CFL program be undertaken when PacifiCorp files its next general rate case. Staff further recommends that the Company keep such records as will be necessary to determine whether the program costs were prudently incurred. Staff would like the Company to provide an evaluation of the program's effectiveness in obtaining direct energy savings. Staff expects that this evaluation would explain, for example, how ETL was chosen as the vendor for the program, how the specific CFL light bulbs were selected considering their lumens, watts, size and weight, how many households actually used the light bulbs, how many hours they use them, how many consumers purchased additional CFLs as a result of this program, and how many recipients of the CFLs were already using CFL bulbs and/or other fluorescent light products.

Staff recommends that the Company not be permitted to accrue interest or carrying charges on the deferred balance. Demand side management costs, Staff contends, are akin to generation costs in that the programs are designed to forestall the construction of new generation. If new generation was constructed, the Company would accrue AFUDC during the construction phase, but would not accrue carrying charges between the time construction was completed and

the time the new generation was included in rate base and in rates. With this program, Staff states that there is no construction period so AFUDC would not accrue and interest should not accrue on the DSM deferred balance during the period between implementation and inclusion in rates. Once the Company has filed a general rate case and the demand side management programs have been found to be prudent, Staff contends that the unamortized deferred balance of DSM programs will be included in rate base with the calculated return and authorized amortization expense recognized in rates.

PacifiCorp Reply Comments

PacifiCorp in reply comments filed with the Commission on December 2, 2002 disagrees with Staff's recommendation that amortization of the deferred costs begin when distribution of the light bulbs is completed. Beginning amortization immediately, the Company contends, decreases its opportunity for full cost recovery. PacifiCorp recommends instead that the amortization period begin when the costs are included in rates, or January 1, 2004, whichever occurs earlier.

Commission Findings

The Commission has reviewed and considered the filings of record in Case No. PAC-E-02-7 including the comments of customers and Commission Staff and the reply comments of PacifiCorp. PacifiCorp has requested authority to initiate and implement a proposed CFL program (electric tariff Schedule 20). We note that the Company has implemented CFL programs in some of its other jurisdictional states. While we are generally supportive of conservation and demand side management programs, we question the costs of the proposed CFL program. Those costs would ultimately be recovered in customer rates. Customers contend that they can purchase bulbs at a lower cost and that they object to the involuntary nature of the program. The record suggests that PacifiCorp customers also have doubts about the reasonableness of the estimated program cost. We encourage the Company to look at other CFL program options, including a coupon program. Perhaps once the Company has assessed the cost effectiveness of such programs it can propose and support the implementation of a CFL program in Idaho.

CONCLUSIONS OF LAW


The Idaho Public Utilities Commission has jurisdiction over PacifiCorp dba Utah Power & Light Company, an electric utility, and the issues presented in Case No. PAC-E-02-7 pursuant to the authority granted the Commission in Idaho Code, Title 61 and pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

ORDER

In consideration of the foregoing and as more particularly described and qualified above, IT IS HEREBY ORDERED and the Commission does hereby deny PacifiCorp's Application for approval of a proposed tariff Schedule 20, Residential Energy Efficiency Program – Compact Fluorescent Light (CFL) Bulb Program.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.


DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 9th
day of December 2002.


PAUL KJELLANDER, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


DENNIS S. HANSEN, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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